

\* NOT ADMITTED IN VIRGINIA

072

# **Roseville's Issues For Reconsideration in the Universal Service Proceeding**

**(CC Dockets 96-45 & 97-160)**

- 1. Interstate Long Term Support (LTS) Should Not be Included in "Hold-Harmless" and/or "Phase-Out" Provisions of the New Federal Intrastate Support Mechanism**
  - This issue is currently before the Joint Board
- 2. The Dividing Line Between "Large" and "Small" Carriers in the New Federal Mechanism Should be Changed to 200K Lines**
  - There is a natural break in the current USF mechanism at 200K lines
  - Study areas with less than 200K lines receive 6 1/2 times more explicit support than a study area with over 200K lines with identical costs
  - The transitional issues faced by such areas are more like those faced by the "rural" study areas and such areas should be treated under the programs to be recommended by the Rural Task Force
  - Companies like Roseville with 2 wire centers and slightly over 100K lines experience significantly different economies of scale and scope than the RBOCs and GTE with hundreds of wire centers and tens of millions of lines

June 8, 2000

## FCC Model Investment vs. Actual

Item	Comparison of Model Results for Sample Wire Centers				
	Deviation of Predicted Investment From Actual Investment				
	<(25%)	(25%) to (10%)	(10%) to 10%	10% to 25%	>25%
Cable & Wire Facilities	8	1	12	14	200
COE Switch Investment	142	36	20	11	25
Land	102	20	10	11	87
Buildings	56	16	25	16	121
Vehicles	138	13	24	11	36
Tools & Work Equipment	121	14	24	11	52
Furn & Office Equipment	24	3	15	14	173
General Support Inv.	92	25	25	23	67

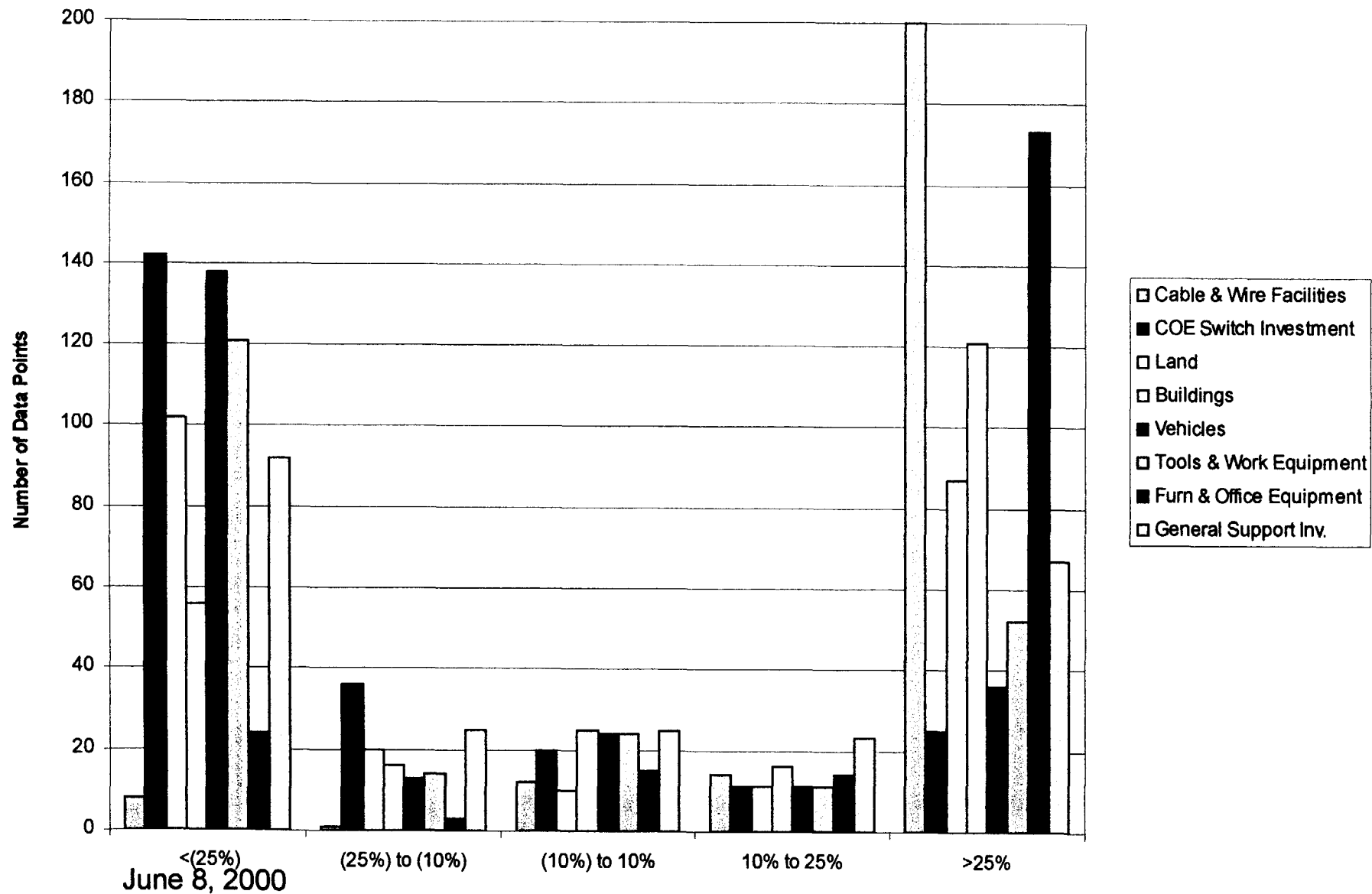
### Source of Data

- Rural Task Force special study for a diverse sample of rural wire centers
- Comparison of 1998 actual data to Synthesis Model results

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# FCC Model Investment vs. Actual

(Same Data as Previous Chart in Graphical Format)



# Observations From the Data

- **There is a wide dispersion of investment data around the model estimate**
- **A large majority of central offices are greater than 25% above or below the estimate**
- **If a LEC had only one or a few wire centers, the model generated support would likely either be way too high (Win the Lottery) or too low (Go Broke)**
- **The more central offices a LEC has in its overall operations, the more likely that the model-generated support will approach sufficient levels (assuming inputs are otherwise accurate)**

## FCC Model Investment vs. Actual ( X = Roseville )

Comparison of Model Results for Sample Wire Centers						
Deviation of Predicted Investment From Actual Investment						
Item	<(25%)	(25%) to (10%)	(10%) to 10%	10% to 25%	>25%	
Cable & Wire Facilities	8	1	X	12	14	200
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# **The RTF Data Provides Additional Justification for the Roseville Proposal**

## **The Dividing Line Between “Large” and “Small” Carriers in the New Federal Mechanism Should be Changed to 200K Lines**

- There is a natural break in the current USF mechanism at 200K lines
- Study areas with less than 200K lines receive 6 1/2 times more explicit support than a study area with over 200K lines with identical costs
- The transitional issues faced by such areas are more like those faced by the “rural” study areas
- Companies like Roseville with 2 wire centers and slightly over 100K lines experience significantly different economies of scale and scope than the RBOCs and GTE with hundreds of wire centers and tens of millions of lines
- The Synthesis Model has been demonstrated to be an inaccurate predictor of support for companies with relatively few wire centers

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